



**GREATER
KOKSTAD
MUNICIPALITY**

PROVINCE OF KWAZULU-NATAL

Greater Kokstad Local Municipality
Annual Financial Statements
for the year ended 30 June 2017

Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2017

General Information

LEGAL FORM OF ENTITY	Local Municipality
MEMBERS OF THE COUNCIL	
Cllr B M Mtolo	Mayor
Cllr ZA Mhlongo	Speaker
Cllr K J Walker	Deputy Mayor
Cllr M N Dumisa	Member of Executive Committee
Cllr N Lusawana	Member
Cllr N Nguzu	Member
Cllr M Figlan	Member
Cllr N Mavuka	Member
Cllr N Mfukuli	Member
Cllr E Bhengu	Member
Cllr MNL Madikizela	Member
Cllr Z R Tshazi	Member
Cllr B L Marnce	Member
Cllr K Putuma	Member
Cllr M Mgewu	Member
Cllr C D Dlamini	Member
Cllr V L Ndyebo	Member
Cllr T O Madikizela	Member
GRADING OF LOCAL AUTHORITY	Grade 3
MUNICIPAL MANAGER	Mr L H Mapholoba
CHIEF FINANCIAL OFFICER (CFO)	Mr T L Mketsu
PHYSICAL ADDRESS	75 Hope Street Kokstad 4700
POSTAL ADDRESS	P O Box 08 Kokstad 4700
BANKERS	FNB
AUDITORS	Auditor General South Africa (AGSA)

Greater Kokstad Local Municipality

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Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

I am responsible for the preparation of these annual financial statements, which are set out on pages 4 to 49 in terms of section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the municipality.

I certify that the salaries, allowances and benefits of councillors and payments made to councillors for loss of office, if any, as disclosed in note 26 of these annual financial statements are within the upper limits of the framework envisaged in section 219 of the constitution, read with the Remuneration of Public Officers Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and places considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2018 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements are prepared on the basis that the municipality is a going concern and has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Municipal Manager
Mr L H Mapholoba
31 August 2017

Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Statement of Financial Position as at 30 June 2017

	Notes	2017 R	2016 R
Assets			
Current Assets			
Cash and cash equivalents	2	125,284,575	88,367,345
Trade Receivables	3	31,255,100	34,585,431
Receivables from non-exchange transactions	4	14,504,855	10,236,790
Inventories	5	825,036	544,024
Prepayments	6	435,336	274,248
		172,304,902	134,007,838
Non-Current Assets			
Property, plant and equipment	7	444,618,443	459,580,842
Intangible assets	8	13	272,583
Investment property	9	92,326,256	87,263,039
Heritage assets	10	1,112,400	1,112,400
		538,057,112	548,228,864
Total Assets		710,362,014	682,236,702
Liabilities			
Current Liabilities			
Consumer deposits	11	4,173,961	4,143,302
Payables from exchange transactions	12	36,253,459	37,265,680
Provisions	13	2,775,582	2,083,866
Unspent conditional grants and receipts	14	13,997,785	5,491,947
Current portion of long term loan	15	1	490,607
Finance lease obligation	16	1,090,983	1,913,605
Deferred income	17	2,225,607	2,242,868
VAT payable		667,909	1,685,393
		61,185,287	55,317,268
Non-Current Liabilities			
Finance lease obligation	16	-	1,090,983
Employee benefit obligation	18	13,720,441	18,610,604
		13,720,441	19,701,587
Total Liabilities		74,905,728	75,018,855
Net Assets			
Accumulated surplus		635,456,286	607,217,847
		635,456,348	607,217,847

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Statement of Financial Performance

	Notes	2017 R	2016 R
Revenue			
Revenue from exchange transactions			
Service charges	19	128,429,503	123,074,035
Rental of facilities and equipment	20	1,269,273	1,841,532
Licences and permits		3,044,570	3,399,974
Other income		796,277	864,184
Interest earned - external investments	21	7,896,117	5,711,571
Total revenue from exchange transactions		141,435,740	134,891,296
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	22	94,609,744	88,824,595
Interest received - outstanding receivables	22	4,983,822	4,711,040
Debtors impairment recovery	3	6,557,695	-
Transfer revenue			
Government grants and subsidies	23	83,379,899	79,930,110
Public contributions and donations	24	17,000	-
Fines		1,673,555	4,583,153
Fines impairment recovery		1,207,844	-
Provision for performance recovery	12	715,461	373,426
Total revenue from non-exchange transactions		193,145,020	178,422,324
Total revenue		334,580,760	313,313,620
Expenditure			
Employee costs	25	(98,295,341)	(90,521,370)
Remuneration of councillors	26	(6,038,304)	(5,239,212)
Depreciation and amortisation		(47,113,591)	(40,410,959)
Impairment loss		(1,356,245)	-
Finance costs	28	(497,704)	(803,936)
Debt written off	44	(9,395,958)	(529,800)
Repairs and maintenance	31	(13,405,467)	(8,288,888)
Bulk purchases	27	(80,966,910)	(75,885,783)
General Expenses	29	(57,087,751)	(61,643,109)
Total expenditure		(314,157,271)	(283,323,057)
Operating surplus (deficit)		20,423,489	29,990,563
Gain / (Loss) on disposal of assets and liabilities		(4,170,389)	288,376
Gain / (Loss) on Actuarial		6,922,268	3,115,970
Fair value adjustments	38	5,063,217	768,157
Surplus for the year		7,815,096	4,172,503
Surplus for the year		28,238,585	34,163,066

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Annual Financial Statements for the year ended 30 June 2017

Statement of Changes in Net Assets

	Accumulated surplus R	Total net assets R
Opening balance as previously reported	576,798,373	576,798,373
Adjustments		
Correction of error	(3,743,592)	(3,743,592)
Balance at 01 July 2015 as restated*	573,054,781	573,054,781
Changes in net assets		
Surplus for the period	34,163,066	34,163,066
Total changes	34,163,066	34,163,066
Balance at 01 July 2016	607,217,763	607,217,763
Changes in net assets		
Surplus for the period	28,238,585	28,238,585
Total changes	28,238,585	28,238,585
Balance at 30 June 2017	635,456,348	635,456,348

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Annual Financial Statements for the year ended 30 June 2017

Cash Flow Statement

	Notes	2017 R	2016 R
Cash flows from operating activities			
Receipts			
Taxes		98,576,082	95,169,791
Sale of goods and services		114,954,789	95,571,020
Grants		91,885,737	77,651,717
Interest income		7,896,117	5,711,571
Other receipts		1,690,555	4,582,353
		315,003,280	278,686,452
Payments			
Employee costs		(99,525,958)	(90,012,823)
Suppliers		(138,495,464)	(114,178,970)
Finance costs		(497,704)	(803,936)
		(238,519,126)	(204,995,729)
Net cash flows from operating activities	31	76,484,154	73,690,723
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(37,145,328)	(35,196,897)
Proceeds from sale of property, plant and equipment	7	-	382,363
Retention capitalised		-	36,169
Net cash flows from investing activities		(37,145,328)	(34,778,365)
Cash flows from financing activities			
Movement in Borrowings		(490,606)	(897,471)
Movement in retention		(17,261)	-
Finance lease movement		(1,913,605)	(2,363,386)
Net cash flows from financing activities		(2,421,472)	(3,260,857)
Net increase in cash and cash equivalents		36,917,354	35,651,501
Cash and cash equivalents at the beginning of the year		88,367,345	52,715,846
Cash and cash equivalents at the end of the year	2	125,284,699	88,367,347

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Annual Financial Statements for the year ended 30 June 2017

Statement of Comparison of Budget and Actual Amounts

	Original budget R	Budget adjustments (i.t.o. s28 and s31 of the MFMA) R	Final adjustments budget R	Shifting of funds (i.t.o. s31 of the MFMA) R	Virement (i.t.o.Final budget council approved policy) R	Actual outcome R	Variance explanation refer to Note 47 R	Variance R	Actual outcome as % of final budget R	Actual outcome as % of original budget R
2017										
Financial Performance										
Property rates	97,001,665	(592,817)	96,408,848	-	96,408,848	94,609,744	(1,799,104)	98 %	98 %	
Service charges	143,676,060	-	143,676,060	-	143,676,060	128,429,503	(15,246,557)	89 %		
Donations	-	-	-	-	-	17,000	17,000	DIV/0 %	DIV/0 %	
Fines	1,268,501	-	1,268,501	-	1,268,501	1,673,555	405,054	132 %	132 %	
Licences and permits	3,701,467	-	3,701,467	-	3,701,467	3,044,570	(656,897)	82 %	82 %	
Rental of facilities and equipment	1,715,574	-	1,715,574	-	1,715,574	1,269,273	(446,301)	74 %	74 %	
Investment revenue	5,323,255	-	5,323,255	-	5,323,255	7,896,117	2,572,862		148 %	
Interest on debtors	3,627,846	1,473,000	5,100,846	-	5,100,846	4,983,822	(117,024)	98 %	137 %	
Transfers recognised - operational	62,303,000	(3,487,500)	58,815,500	-	58,815,500	83,379,899	24,564,399	142 %	134 %	
Other own revenue	3,616,590	40,000	3,656,590	-	3,656,590	796,277	(2,860,313)	22 %	22 %	
Provisions and impairments recoveries	-	-	-	-	-	8,481,000	8,481,000		DIV/0 %	
Total revenue (excluding capital transfers and contributions)	322,233,958	(2,567,317)	319,666,641	-	319,666,641	334,580,760	14,914,119	105 %	104 %	
Employee costs	(114,432,844)	3,689,087	(110,743,757)	-	(110,743,757)	(98,295,341)	-	12,448,416	89 %	86 %
Remuneration of councillors	(6,936,972)	-	(6,936,972)	-	(6,936,972)	(6,038,304)	-	898,668	87 %	87 %
Debt impairment	(9,500,000)	592,817	(8,907,183)	-	(8,907,183)	(9,395,958)	-	(488,775)		99 %
Depreciation and asset impairment	(73,137,861)	10,000,000	(63,137,861)	-	(63,137,861)	(45,921,368)	-	17,216,493		63 %
Finance charges	(1,956,385)	543,897	(1,412,488)	-	(1,412,488)	(497,704)	-	914,784	35 %	25 %
Materials and bulk purchases	(94,536,282)	-	(94,536,282)	-	(94,536,282)	(80,966,910)	-	13,569,372	86 %	86 %

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Appropriation Statement

	Original budget R	Budget adjustments (i.t.o. s28 and s31 of the MFMA) R	Final adjustments budget R	Shifting of funds (i.t.o. s31 of the MFMA) R	Virement (i.t.o. council approved policy) R	Final budget R	Actual outcome R	Unauthorised expenditure R	Variance R	Actual outcome as % of final budget R	Actual outcome as % of original budget R
Contracted Services	(28,282,249)	(3,196,760)	(31,479,009)	-	-	(31,479,009)	(25,704,000)	-	5,775,009	82 %	91 %
Other expenditure	(36,981,163)	(2,313,563)	(39,294,726)	-	-	(39,294,726)	-	-	39,294,726	- %	- %
Transfers and grants	(12,113,070)	-	(12,113,070)	-	-	(12,113,070)	-	-	12,113,070	- %	- %
Total expenditure	(377,876,826)	9,315,478	(368,561,348)	-	-	(368,561,348)	(266,819,585)	-	101,741,763	72 %	71 %
Surplus/(Deficit)	(55,642,868)	6,748,161	(48,894,707)	-		(48,894,707)	67,761,175		116,655,882	(139)%	(122)%
Transfers recognised - capital	31,525,000	-	31,525,000	-		31,525,000	36,025,000		4,500,000		114 %
Surplus (Deficit) after capital transfers and contributions	(24,117,868)	6,748,161	(17,369,707)	-		(17,369,707)	103,786,175		121,155,882	(598)%	(430)%
Surplus/(Deficit) for the year	(24,117,868)	6,748,161	(17,369,707)	-		(17,369,707)	103,786,175		121,155,882	(598)%	(430)%

Capital expenditure and funds sources

Total capital expenditure	45,225,000	20,485,497	65,710,497	-	65,710,497	37,346,714	(28,363,783)	57 %	83 %
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Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

The principal accounting policies adopted in the preparation of these financial statements are set out below.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Critical judgments, estimations and assumptions

In preparing the annual financial statements, management is required to make estimates and assumptions that impact on the municipality financial statements once implemented. Actual results in the future could differ from these estimates which may be material to the annual financial statements .Significant judgement includes:

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 13 - Provisions.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

1.4 Investment property

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction cost once it meets the definition of investment property. Investment Property is initially recognised when future economic benefits or service potential are probable and the cost or fair value can be determined reliably.

The cost of self-constructed investment property is the cost at date of completion.

Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

Subsequent measurement - Fair value model

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

Derecognition

Investment property is derecognised when there is a disposal or no future economic benefits or service potential are to be derived from the property.

All gains or losses, which result from the derecognition, are recognised in the Statement of Financial Performance.

1.5 Property, plant and equipment

1.5.1 Initial recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

1.5.2 Initial measurement

Items of property plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. These assets have been revalued in line with the transitional provisions, and have been recorded at Depreciated Replacement Cost. The cost of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site in which it is located.

Where an asset is acquired is acquired by the municipality for no or nominal consideration (i.e a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.5.3 Subsequent Measurement - Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

1.5.4 Depreciation and impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have useful lives that are depreciated separately.

Land is not depreciated as it is deemed to have indefinite useful life.

Greater Kokstad Local Municipality

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Accounting Policies

Capital work in progress is not depreciable until it is transferred to the applicable property, plant and equipment category once it is ready and available for its intended use.

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimates in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset maybe impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount) and an impairment amount is charged to the Statement of Financial Performance.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Buildings	Straight line	80 years
Motor vehicles	Straight line	5-7 years
Infrastructure	Straight line	
• Roads and pavings		20 years
• Bridges		30 years
• Storm water		15 years
• Gravel		20 years
• Substation and Transformers		40 years
• Poles, Cables and Lights		15-25 years
• Robots		10 years
Community	Straight line	
• Buildings		80 years
• Recreational facilities		5 years
• Security system		5 years
• Dams		1-15 years
• Libraries		15-20 years
• Parks and Gardens		15 years
• Cemeteries		15-20 years
• Community centres		5-20 years
Other property, plant and equipment	Straight line	
• Emergency equipment		5 years
• Landfill sites		15 years
• Office equipment		5 years
• Furniture and fittings		5 years
• Bins and containers		5 years
• Computer equipment		5-8 years

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Accounting Policies

1.6 Heritage assets

Initial Recognition

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations. A heritage asset shall be recognised as an asset if, and only if:

- (a) it is probable that future economic benefits or service potential associated with the asset will flow to the entity, and
- (b) the cost or fair value of the asset can be measured reliably.

Initial Measurement

An asset that has met the recognition requirement criteria for heritage assets shall be measured at its cost if such an asset has been acquired through an exchange transaction.

Where a heritage asset has been acquired through a non-exchange transaction, its cost shall be measured at its fair value as at the date of acquisition.

Subsequent Measurement

Heritage assets are not depreciated based on their nature however the municipality assesses at each reporting date whether there is a need for impairment.

The class of heritage assets are carried at its cost less any accumulated impairment losses.

Derecognition

The carrying amount of a heritage asset is derecognised:

- (a) on disposal, or
- (b) when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

1.7 Intangible Assets

Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential;
- the municipality has the ability to measure reliably the expenditure during development."

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

Subsequent measurement

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Residual value of intangible assets is estimated to be zero. Fully depreciated assets which are still in use are not written off.

Amortisation

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Computer software	3 - 8 years
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The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Derecognition

Intangible assets are derecognised when the assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.8 Financial instruments

The municipality has various types of financial instruments and these can be broadly categorised as either Financial Assets or Financial Liabilities.

Financial Assets - Classification

A financial asset is any asset consisting of cash or a contractual right to receive cash. The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Investments in Fixed Deposits (Banking Institutions, etc)
- Unlisted investments
- Consumer Debtors
- Certain Other Debtors
- Short-term Investment Deposits
- Bank Balances and Cash

In accordance with GRAP 104, the Financial Assets of the municipality are classified as follows into the categories allowed by this standard:

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Type of Financial Asset	Classification in terms of GRAP 104
Short-term Investment Deposits – Call	Financial assets at amortised cost
Bank Balances and Cash	Financial assets at amortised cost
Long-term Receivables	Financial assets at amortised cost
Consumer Debtors	Financial assets at amortised cost
Other Debtors	Financial assets at amortised cost
Investments in Fixed Deposits	Financial assets at amortised cost

Financial assets at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets.

Cash and cash equivalents include cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets held at amortised cost.

Financial Liabilities - Classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Long-term Liabilities
- Trade and other payables
- Short-term loans

Financial Liabilities of the municipality are classified into the following category as allowed by this standard.

Financial liabilities at amortised cost.

Financial liabilities at amortised cost are initially measured at fair value, net of transaction costs. These are subsequently measured at amortised cost using the Effective interest method, with interest expense recognised on an effective yield basis.

Initial and Subsequent Measurement

Financial Assets

Financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the effective interest method less, any impairment, with interest recognised on an effective yield basis in surplus/deficit.

Financial assets are recognised on the trade date at which the municipality becomes party to the contractual provisions of the instrument.

Financial Liabilities

Financial Liabilities at amortised cost are initially measured at fair value net of transaction costs.

Subsequently, these liabilities are measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Financial liabilities are recognised on the trade date at which the municipality becomes a party to the contractual provisions of the instrument.

Impairment of Financial Assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence of impairment of financial assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104

An allowance for impairment is based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable and are recognized in surplus or deficit for the year.

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An allowance for impairment of trade receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables.

Changes in the carrying amount of the allowance for impairment are recognized in surplus or deficit for the year.

Derecognition of Financial Assets

The municipality derecognises financial assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of financial assets due to non-recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Derecognition of Financial Liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

1.9 Trade and other receivables

Trade and other receivables are categorised as financial assets, receivables are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and a default or delinquency in payments in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired.

Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

Consumer Debtors per impairment category

Category A

- Regular payers and Government Accounts - 0%,
- Consumers with accounts not older than 60 days, and;
- Government.

Category B

- Regular Payers (50% less than 180 days and 100% on rest); and
- Amounts owing but do pay.

Category C

- Doubtful 100% all amounts;
- Consumers with no payment history;
- Owing longer than 60 days with no payments for 6 months; and
- Inactive accounts.

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1.10 Leases

The Municipality as lessee

Recognition

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payment due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payment, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Measurement

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies application to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayments using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies related to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful lives or the lease term.

1.11 Inventories

Initial recognition & measurement

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Derecognition

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that the cost qualifies for capitalisation to the cost of another asset.

1.12 Non-current assets held for sale and disposal groups

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held for sale (or disposal group) are measured at the lower of its carrying amount and fair value less cost to sell.

Non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

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Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

1.13 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-oriented entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

1.14 Impairment of non-cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or

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- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish non-cash-generating assets from cash-generating assets are as follow:

1.15 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.16 Post-employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Medical Aid

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actual valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the value projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

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1.17 Provisions

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 45.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

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1.18 Revenue from exchange transactions

Recognition

Revenue from exchange transactions is only recognised once all of the following criteria have been satisfied:

- a) The entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- b) The amount of revenue can be measured reliably; and
- c) It is probable that the economic benefits or service potential associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Measurement

Revenue from exchange transactions is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

Service charges relating to electricity and water are based on consumption. Meters are read on a quarterly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from General Valuation and Supplementary Rolls is recognised when valuation rolls are effective and when rates are billed.

Revenue from sale of electricity from prepaid meters is recognised at the point of sale.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transactions.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

1.19 Revenue from non-exchange transactions

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

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Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

1.20 Value Added Taxation

The Municipality accounts for Value Added Tax on the payment basis. This means that VAT is declared to the South African Revenue Services as input VAT or output VAT only when payments are made to suppliers or payments are received for goods or services. The net output VAT on debtors where money has not been received or creditors where payment has not yet been made is disclosed in the Statement of Financial Position in terms of GRAP 1.

1.21 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

1.22 Unauthorised expenditure

Unauthorised expenditure is an expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.23 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.24 Irregular expenditure

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

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Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is an expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.25 Commitments

Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.

Commitments are not recognised in the statement of financial position as a liability, but are included in the disclosure notes in the following cases:

- approved and contracted commitments;
- where the expenditure has been approved and the contract has been awarded at the reporting date; and
- where disclosure is required by a specified standard of GRAP.

1.26 Budget information

Municipalities are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01 Jul 2016 to 30 Jun 2017.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.27 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

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Notes to the Annual Financial Statements

	2017 R	2016 R
2. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	12,333	12,333
Bank balances	5,583,180	9,313,360
Call deposits	119,689,062	79,041,652
	125,284,575	88,367,345

The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
FNB - Primary Account -527-2002-4258	9,888,978	6,293,823	5,583,180	9,313,360
FNB - 620-4994-7825	44,820,755	14,495,867	44,820,755	14,495,867
FNB - 622-9521-8947	2,456	1,000	2,469	1,000
FNB - 620-6810-2682	24,292	26,819	24,292	26,819
FNB - 620-8937-2868	2,829,141	3,756,387	362,725	3,756,387
FNB - 620-8992-7663	2	1,000	2	1,000
FNB - 621-9170-1476	133,804	1,324,825	430	6,323
FNB - 621-0368-9230	1,038,810	1,263,764	1,038,810	1,263,764
FNB - 621-9024-8221	2,309,931	2,083,853	2,309,930	2,083,853
STD - 308-644-085	12,630,174	3,617,324	12,630,174	3,617,254
NED - 0371-6501-3687	72,124	67,022	72,124	67,022
FNB -623-0064-1611	2,205	2,183	2,211	2,189
NED - 716-501-3660	135,324	2,407,448	135,324	394,487
NED -0371 -6501 -4276	320,955	419,954	95,355	307,552
ABSA - 207 -483-6976	17,704,906	16,423,549	17,639,802	16,423,555
STANDARD BANK RESERVE ACCOUNT	17,787,086	16,445,273	17,787,086	16,445,273
NEDBANK RESERVE ACCOUNT	17,711,412	16,282,329	17,711,412	16,282,329
DOE 6385- 1558-80001	5,056,161	3,866,978	5,056,161	3,866,978
Total	132,468,516	88,779,398	125,272,242	88,355,012

3. Trade receivables

Gross balances

Rates from non exchange transactions	22,532,774	23,538,641
Electricity from exchange transactions	13,332,659	21,740,611
Refuse from exchange transactions	16,097,821	16,630,969
Fire Levy from exchange transactions	1,615,694	1,571,130
	53,578,948	63,481,351

Less: Allowance for impairment

Rates from non exchange transactions	(12,127,722)	(10,700,214)
Electricity from exchange transactions	(1,213,297)	(9,920,444)
Refuse from exchange transactions	(8,104,311)	(7,564,892)
Fire Levy from exchange transactions	(892,895)	(710,370)
	(22,338,225)	(28,895,920)

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Notes to the Annual Financial Statements

	2017 R	2016 R
3. Trade receivables (continued)		
Net balance		
Rates from non exchange transactions	10,405,052	12,838,427
Electricity from exchange transactions	12,119,362	11,820,167
Refuse from exchange transactions	7,993,511	9,066,077
Fire Levy from exchange transactions	737,175	860,760
	31,255,100	34,585,431
Rates		
Current (0 -30 days)	3,066,024	3,351,533
31 - 60 days	1,521,573	1,722,198
61 - 90 days	577,588	833,682
91 - 120 days	394,523	503,087
121 - 365 days	16,958,962	17,128,141
	22,518,670	23,538,641
Electricity		
Current (0 -30 days)	8,140,055	7,845,832
31 - 60 days	1,910,127	2,181,478
61 - 90 days	805,901	972,160
91 - 120 days	381,258	460,388
121 - 365 days	2,095,318	10,280,753
	13,332,659	21,740,611
Refuse		
Current (0 -30 days)	1,512,660	2,494,308
31 - 60 days	1,066,538	1,895,296
61 - 90 days	735,841	1,362,067
91 - 120 days	698,950	836,797
121 - 365 days	12,083,832	10,042,501
	16,097,821	16,630,969
Fire Levy from exchange transaction		
Current (0 -30 days)	74,606	124,412
31 - 60 days	58,666	101,082
61 - 90 days	46,211	81,562
91 - 120 days	43,619	53,174
121 - 365 days	1,392,592	1,210,900
	1,615,694	1,571,130

Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

	2017 R	2016 R
3. Trade receivables (continued)		
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	3,481,355	2,398,242
31 - 60 days	2,077,494	3,017,459
61 - 90 days	1,370,513	1,996,471
91 - 120 days	838,862	1,356,659
121 - 365 days	17,460,034	30,827,053
	<hr/>	<hr/>
Add debtors with credit balances	25,228,258	39,595,884
	2,282,012	2,191,349
	<hr/>	<hr/>
	27,510,270	41,787,233
Industrial/commercial		
Current (0 -30 days)	7,240,620	6,728,494
31 - 60 days	1,987,184	2,086,854
61 - 90 days	677,296	884,311
91 - 120 days	491,667	614,005
121 - 365 days	3,619,537	432,287
> 365 days	8,357,148	7,954,446
	<hr/>	<hr/>
Add debtors with credit balances	22,373,452	18,700,397
	2,536,302	2,051,016
	<hr/>	<hr/>
	24,909,754	20,751,413
National and provincial government		
Current (0 -30 days)	420,665	1,492,257
31 - 60 days	172,787	(30,143)
61 - 90 days	185,464	(25,766)
91 - 120 days	159,142	1,955
121 - 365 days	58,382	711
> 365 days	73,125	(840,639)
	<hr/>	<hr/>
Add debtors with credit balances	1,069,565	598,375
	75,255	344,331
	<hr/>	<hr/>
	1,144,820	942,706
Total		
Current (0 -30 days)	11,142,641	13,816,085
31 - 60 days	4,237,465	5,900,054
61 - 90 days	2,233,273	3,249,471
91 - 120 days	1,489,671	1,853,446
121 - 365 days	29,568,226	38,662,295
	<hr/>	<hr/>
Add debtors with credit balances	48,671,276	63,481,351
Less: Allowance for impairment	4,893,568	-
	(22,338,225)	(28,895,920)
	<hr/>	<hr/>
	31,226,619	34,585,431
Less: Allowance for impairment		
Current (0 -30 days)	(815,807)	(3,094,096)
31 - 60 days	(820,264)	(1,479,782)
61 - 90 days	(818,520)	(3,228,623)
91 - 120 days	(784,758)	(874,419)
121 - 365 days	(19,098,876)	(20,219,000)
	<hr/>	<hr/>
	(22,338,225)	(28,895,920)

Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

	2017 R	2016 R
3. Trade receivables (continued)		
Reconciliation of allowance for impairment		
Balance at beginning of the year	(28,895,920)	(25,793,789)
Contributions to allowance	-	(3,102,131)
Reversal of impairment	6,557,695	-
	(22,338,225)	(28,895,920)

Consumer debtors past due but not impaired

The ageing of amounts past due but not impaired is as follows:

1 month past due	2,869,358	7,894,508
2 months past due	951,970	1,987,306
3 months past due	3,824,054	12,169

4. Receivables from non-exchange transactions

Fines	7,565,325	5,443,435
SETA	1,741,239	420,128
Expanded public works programme	450,558	1
National Treasury	1,324,000	1,324,000
Sundry debtors	2,875,524	2,449,939
Add: Debtors with credit balances	548,209	599,287
	14,504,855	10,236,790

5. Inventories

Stores and materials	825,036	544,024
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Inventories consists of consumables and fuels.

6. Prepayments

License Fees		
Sage license	72,765	-
Munsoft license	109,876	-
Microsoft licenses	252,695	-
Licenses	-	274,248
	435,336	274,248

Licence fees for computer software were prepaid.

Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

		2017 R		2016 R
7. Property, plant and equipment				
		2017		2016
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation
				Accumulated depreciation and accumulated impairment
Land and buildings	124,893,488	(87,930,104)	36,963,384	124,893,488
Motor vehicles	10,038,280	(7,094,259)	2,944,021	7,991,596
Infrastructure	578,441,752	(297,450,477)	280,991,275	566,006,067
Community	183,590,571	(94,403,551)	89,187,020	157,099,778
Other property, plant and equipment	26,602,874	(22,950,082)	3,652,792	23,559,931
Capital work in progress	30,879,951	-	30,879,951	46,344,588
Total	954,446,916	(509,828,473)	444,618,443	925,895,448
				(466,314,606)
				459,580,842

Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand

7. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment surplus/(loss)	Total
Land and Buildings	38,321,044	-	-	-	(1,357,660)	-	36,963,384
Motor vehicles	1,688,003	2,350,283	(35,420)	-	(1,038,338)	(20,507)	2,944,021
Infrastructure	302,579,011	-	(4,134,969)	20,725,984	(26,573,236)	(11,605,515)	280,991,275
Community	66,186,526	-	-	26,490,793	(3,490,299)	-	89,187,020
Other property, plant and equipment	4,461,670	3,042,905	-	-	(2,775,938)	(1,075,845)	3,652,792
Capital work in progress	46,344,588	31,752,140	-	(47,216,777)	-	-	30,879,951
	459,580,842	37,145,328	(4,170,389)		- (35,235,471)	(12,701,867)	444,618,443

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Transfers	Correction of error	Other changes, movements	Depreciation	Total
Land and Buildings	39,909,936	-	-	-	-	-	(1,588,892)	38,321,044
Motor vehicles	2,382,040	526,928	(93,987)	-	-	-	(1,126,978)	1,688,003
Infrastructure	307,271,124	-	-	30,487,650	-	(2,904,293)	(32,275,470)	302,579,011
Community	33,635,204	-	-	35,438,443	-	-	(2,887,121)	66,186,526
Other property, plant and equipment	6,613,142	108,444	-	-	68,934	-	(2,328,850)	4,461,670
Capital work in progress	89,689,726	34,561,525	-	(65,105,954)	(12,800,709)	-	-	46,344,588
	479,501,172	35,196,897	(93,987)	820,139	(12,731,775)	(2,904,293)	(40,207,311)	459,580,842

Assets subject to finance lease (Net carrying amount)

Motor vehicles	2,944,021	1,688,003
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A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

	2017 R	2016 R
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8. Intangible assets

	2017		2016			
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Cost / Valuation	Accumulated amortisation and accumulated impairment		
Computer software	2,180,556	(2,180,543)	13	2,180,556	(1,907,973)	272,583

Reconciliation of intangible assets - 2017

	Opening balance	Amortisation	Total
Computer software	272,583	(272,570)	13

Reconciliation of intangible assets - 2016

	Opening balance	Amortisation	Total
Computer software	545,165	(272,582)	272,583

9. Investment property

	2017		2016			
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Cost / Valuation	Accumulated depreciation and accumulated impairment		
Investment property - Land & Buildings	92,326,256	-	92,326,256	87,263,039	-	87,263,039

Reconciliation of investment property - 2017

	Opening balance	Fair value adjustments	Total
Investment property - Land & Buildings	87,263,039	5,063,217	92,326,256

Reconciliation of investment property - 2016

	Opening balance	Transfers	Correction of error	Fair value adjustments	Total
Investment property - Land & Buildings	114,235,982	(856,300)	(26,884,800)	768,157	87,263,039

Details of valuation

The effective date of the revaluations was 01 July 2016. Revaluations were performed by an independent valuer, Mr Hendrik Coenraad Botha of HCB Property Valuers .Mr Hendrik Coenraad Botha is not connected to the municipality and has recent experience in location and category of the investment property being valued.

Rental revenue from investment property	1,123,618	944,519
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Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

		2017 R	2016 R				
10. Heritage assets							
		2017	2016				
		Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Museum		1,112,400	-	1,112,400	1,112,400	-	1,112,400
Reconciliation of heritage assets 2017							
Museum		 Opening balance 1,112,400	 Total 1,112,400				
Reconciliation of heritage assets 2016							
Museum		 Opening balance 1,112,400	 Total 1,112,400				
11. Consumer deposits							
Electricity		4,173,961	4,143,302				
12. Payables from exchange transactions							
Trade payables		477,699	1,161,190				
Unknown deposits		9,949,540	9,373,667				
Accrued leave pay		5,473,740	5,280,233				
National Revenue Fund (NRF)		-	2,831,500				
Other payables		523,235	459,695				
Add: Debtors with credit balances		5,441,777	5,185,982				
Retentions		2,953,631	2,272,211				
Creditor accruals		11,433,837	10,701,202				
		36,253,459	37,265,680				
13. Provisions							
Reconciliation of provisions - 2017							
Provision for performance bonus		Opening Balance 2,083,866	Additions 2,775,582	Utilised during the year (1,368,405)	Reversed during the year (715,461)	Total 2,775,582	
Reconciliation of provisions - 2016							
Provision for performance bonus		Opening Balance 2,168,837	Additions 2,083,866	Utilised during the year (1,795,411)	Reversed during the year (373,426)	Total 2,083,866	

Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

	2017 R	2016 R
14. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Energy Efficiency Grant	4,476	-
Furniture world	98,395	-
Horseshoe Township	1,421,935	1,352,108
IDP Community participation	85,672	85,672
Industrial Park	177,382	177,382
Peoples Housing Project 12 and 13	27,984	27,376
Shayamoya Eco- Complex	31,743	31,743
Small Town Rehabilitation	12,026,847	3,550,740
Sports & Recreation	123,351	266,926
Unspent conditional grants and receipts	13,997,785	5,491,947

15. Borrowings

The municipality had a loan with INCA for an amount of R490,607 at the beginning of the financial year which was repaid in full during December 2016, as at 30 June 2017 the balance is nil.

Carrying value		
Current proton	1	490,607

16. Finance lease obligation

Minimum lease payments due		
- within one year	1,353,047	2,184,460
- in second to fifth year inclusive	-	1,138,281
less: future finance charges	1,353,047	3,322,741
	(262,109)	(318,153)
Present value of minimum lease payments	1,090,938	3,004,588
Present value of minimum lease payments due		
- within one year	1,090,983	1,913,605
- in second to fifth year inclusive	-	1,090,983
	1,090,983	3,004,588
Non-current liabilities	-	1,090,983
Current liabilities	1,090,983	1,913,605
	1,090,983	3,004,588

The municipality has finance lease obligations with various financial institutions for the acquisition of property, plant and equipment.

17. Deferred Income

Electricity units purchases unused	573,884	-
Sale of land	1,651,723	2,242,868
	2,225,607	2,242,868

Income was received for the sale of land which the risks and rewards are still with the municipality. This refers to Erf 103 (Caravan Park) and Erf 104 which is vacant land. The sale has not been finalised as the necessary documents have not been lodged at the Deeds Office.

Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

	2017 R	2016 R
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18. RETIREMENT BENEFITS AND LONG SERVICE AWARD

Defined benefit plan

The plan is a post employment medical benefit plan.

Post employment health care benefits

Present value of the defined benefit obligation - wholly unfunded	(14,864,871)	(10,995,518)
Net actuarial gains or losses recognised	6,240,052	(2,346,746)
Current service cost	(516,444)	(638,732)
Interest cost	(1,350,372)	(1,373,295)
Benefits paid	508,980	489,420
	(9,982,655)	(14,864,871)

Long service awards

Opening balance	(3,745,733)	(3,414,947)
Net actuarial gains and (losses) not recognised	312,780	(100,549)
Current service cost	(368,979)	(350,789)
Interest cost	(305,290)	(259,801)
Benefits paid	369,436	380,353
	(3,737,786)	(3,745,733)

19. Service charges

Sale of electricity	101,410,266	97,496,381
Refuse removal	25,485,068	23,921,441
Other service charges	1,534,169	1,656,213
	128,429,503	123,074,035

20. Rental of Facilities and Equipment

Rental of facilities	1,264,828	1,820,411
Advertising	4,445	21,121
	1,269,273	1,841,532

21. Investment revenue

Interest revenue		
Interest received	7,896,117	5,711,571

Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

	2017 R	2016 R
22. Property rates		
Rates received		
Agriculture	3,488,149	3,493,616
Commercial	16,737,447	15,902,557
Government	47,587,688	43,721,390
Industrial	7,750,192	6,906,949
Public service infrastructure	307,966	50,047
Residential	24,853,106	23,655,798
Sectional titles	992,519	943,956
Less: Rates rebates	(7,107,323)	(5,849,718)
Interest received - outstanding receivables	94,609,744	88,824,595
	4,983,822	4,711,040
	99,593,566	93,535,635
Valuations		
Agricultural	985,058,600	975,179,600
Commercial	552,650,800	558,230,800
Government	1,128,583,000	1,127,583,000
Industrial	273,077,400	270,989,400
Multipurpose	60,028,500	143,900
Municipal	180,314,500	166,449,900
Public benefit organisation	37,854,200	76,781,700
Public service infrastructure	14,029,700	15,305,600
Residential	1,842,797,327	1,869,712,327
	5,074,394,027	5,060,376,227
23. Government grants and subsidies		
Operating grants		
Equitable share	45,887,500	47,497,000
MSIG Project Consolidate	-	930,000
FMG	1,725,000	1,705,544
Sport and Recreation	143,575	143,575
SETA	4,773,407	1,252,391
Expanded Public Works Programme	1,619,000	1,997,000
Arts and Culture	1,687,000	1,653,999
	55,835,482	55,179,509
Capital grants		
Small Town Rehabilitation	3,523,893	1,126,218
DOE	-	2,786,285
Energy Efficiency Grant	2,495,524	168,500
Municipal Infrastructure Grant	21,525,000	16,867,000
Shayamoya Eco-Complex	-	3,802,597
	27,544,417	24,750,600
	83,379,899	79,930,109
Equitable Share		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
Current year receipts	45,887,500	47,497,000
Conditions met - transferred to revenue	(45,887,500)	(47,497,000)

Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

	2017 R	2016 R
23. Government grants and subsidies (continued)		
Housing		
Current-year receipts	-	1,045,150
Conditions met - transferred to revenue	-	(1,045,150)
	<hr/>	<hr/>
This grant is used for upgrading informal settlement areas within the Municipality. No funds were withheld		
Financial Management Grant - FMG		
Balance unspent at beginning of year	-	5,544
Current-year receipts	1,725,000	1,700,000
Conditions met - transferred to revenue	(1,725,000)	(1,705,544)
	<hr/>	<hr/>
This grant was used for implementation of MFMA, finance reforms and payment of intern's salaries.		
Municipal Infrastructure Grant - MIG		
Current-year receipts	21,525,000	16,867,000
Conditions met - transferred to revenue	(21,525,000)	(16,867,000)
	<hr/>	<hr/>
This grant is used for road infrastructure as part of upgrading of infrastructure projects.		
Small Town Rehabilitation		
Balance unspent at beginning of year	3,550,740	1,676,958
Current-year receipts	12,000,000	3,000,000
Conditions met - transferred to revenue	(3,523,893)	(1,126,218)
	<hr/>	<hr/>
	12,026,847	3,550,740
This grant is used for development in town like upgrading sidewalks, parkings and storm water drainage.		
Peoples Housing Project 12 & 13		
Balance unspent at beginning of year	27,376	26,959
Current-year receipts	608	417
	<hr/>	<hr/>
	27,984	27,376
This grant is used for upgrading informal settlement areas within the Municipality. No funds were withheld.		
Horseshoe Township		
Balance unspent at beginning of year	1,352,108	1,293,814
Current-year receipts	69,827	58,294
	<hr/>	<hr/>
	1,421,935	1,352,108

This grant is used for upgrading informal settlement areas within the Municipality. No funds were withheld.

Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

	2017 R	2016 R
23. Government grants and subsidies (continued)		
MSIG Project Consolidate		
Current-year receipts	-	930,000
Conditions met - transferred to revenue	-	(930,000)
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>
This grant is used for Ward Committee Participation, by-laws and policies and systems that support local government legislations. Municipal Audit outcome and General Valuation Roll. No funds were withheld.		
Arts and culture		
Current-year receipts	1,687,000	1,654,000
Conditions met - transferred to revenue	(1,687,000)	(1,654,000)
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>
This grant is used for the provision of staffing costs for Library services within the Municipality. No funds were withheld.		
Sports and Recreation		
Balance unspent at beginning of year	266,926	410,501
Conditions met - transferred to revenue	(143,575)	(143,575)
	<hr/>	<hr/>
	123,351	266,926
	<hr/>	<hr/>
This grant is used for upgrading and maintenance of Sports field. No funds were withheld.		
IDP		
Balance unspent at beginning of year	85,672	85,672
	<hr/>	<hr/>
This grant is for IDP compilation and processes.		
EPWP		
Current-year receipts	1,619,000	1,997,000
Conditions met - transferred to revenue	(1,619,000)	(1,997,000)
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>
Shayamoya eco complex		
Balance unspent at beginning of year	31,743	31,743
Current-year receipts	-	2,438,470
Conditions met - transferred to revenue	-	(2,438,470)
	<hr/>	<hr/>
	31,743	31,743
	<hr/>	<hr/>
Light industrial park		
Balance unspent at beginning of year	177,382	128,865
Current-year receipts	-	1,412,644
Conditions met - transferred to revenue	-	(1,364,127)
	<hr/>	<hr/>
	177,382	177,382
	<hr/>	<hr/>

Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

	2017 R	2016 R
23. Government grants and subsidies (continued)		
DOE		
Balance unspent at beginning of year	-	2,786,285
Conditions met - transferred to revenue	-	(2,786,285)
	<hr/>	<hr/>
	<hr/>	<hr/>
SETA		
Balance unspent at beginning of year	(420,128)	-
Current-year receipts	4,871,802	832,263
Conditions met - transferred to revenue	(6,094,518)	(1,252,391)
	<hr/>	<hr/>
	<hr/>	<hr/>
Conditions still to be met - remain liabilities	(1,642,844)	(420,128)
Energy Efficiency Grant		
Balance unspent at beginning of year	2,831,500	-
Withdrawn	(2,831,500)	3,000,000
Conditions met - transferred to revenue	(2,000,000)	(168,500)
Current year receipts	2,500,000	-
	<hr/>	<hr/>
	<hr/>	<hr/>
Conditions still to be met - remain liabilities.	500,000	2,831,500
24. Public contributions and donations		
Donations Received	<hr/>	<hr/>
	<hr/>	<hr/>

Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

	2017 R	2016 R
25. Employee related costs		
Basic	61,668,852	56,296,383
Bonus	4,002,907	3,572,258
Medical aid - company contributions	4,492,447	5,242,535
UIF	519,496	490,815
SDL	769,495	740,282
Leave pay provision	1,183,314	1,041,277
Pension fund	11,041,429	10,416,624
Travel, motor car, accommodation, subsistence and other allowances	3,684,831	3,598,440
Overtime payments	4,299,415	3,275,207
Long-service awards	163,070	-
Housing benefits and allowances	1,153,418	1,141,066
Performance bonus	2,775,582	2,083,866
Interest on post employment benefits	1,655,662	1,633,096
Current Service Cost	885,423	989,521
	98,295,341	90,521,370

Remuneration of municipal manager - LH Mapholoba - from May 2017

Annual Remuneration	112,909	445,944
Car Allowance	50,365	185,227
Performance Bonuses and rural allowance	-	123,411
Contributions to UIF, Medical and Pension Funds	7,273	12,966
Cellphone and rural allowance	10,656	-
Housing subsidy	-	22,968
Leave paid	-	81,841
	181,203	872,357

Remuneration of Acting Chief Finance Officer- ND Gqola - July 2015

Annual Remuneration	-	6,253
Car Allowance	-	2,882
Performance Bonuses	-	105,831
Cellphone allowance	-	164
Contributions to UIF, Medical and Pension Funds	-	891
Leave paid	-	130,338
	-	246,359

Remuneration of Acting Chief Financial Officer - GC Leatsoalo - 07 Sept 2015- 04 Mar 2016

Annual Remuneration	-	276,718
Car Allowance	-	161,085
Cellphone Allowance	-	7,255
	-	445,058

Remuneration of Chief Financial Officer - TL Mketsu

Annual Remuneration	592,638	96,368
Car Allowance	211,313	32,123
Cellphone Allowance	14,864	2,127
Contributions to UIF, Medical and Pension Funds	43,273	-
Other	36,878	-
	898,966	130,618

Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

	2017 R	2016 R
25. Employee related costs (continued)		
Remuneration of Corporate Service Manager		
Annual Remuneration	564,667	387,004
Car Allowance	176,000	140,364
Performance Bonuses	-	10,527
Contributions to UIF, Medical and Pension Funds	126,500	100,886
Housing Subsidy	22,916	16,753
Cellphone allowance	13,200	-
Rural Allowance	37,409	-
	940,692	655,534
Remuneration of Social Development Manager		
Annual Remuneration	576,414	536,358
Car Allowance	177,277	175,939
Cellphone Allowances	14,400	14,400
Contributions to UIF, Medical and Pension Funds	130,776	125,091
Housing Subsidy	80,988	77,988
Performance bonus	-	103,316
Rural Allowance	39,280	-
	1,019,135	1,033,092
Remuneration of Infrastructure Planning and Development Manager		
Annual Remuneration	541,947	549,226
Car Allowance	134,551	142,154
Performance Bonuses	-	23,011
Contributions to UIF, Medical and Pension Funds	137,893	150,645
Cellphones Allowances	13,926	64,740
Other	-	105,831
Housing Subsidy	60,060	-
Rural Allowance	36,006	-
	924,383	1,035,607
26. Remuneration of councillors		
Mayor	762,871	-
Former Mayor	100,310	706,707
Deputy Mayor	551,888	577,871
Speaker	627,922	502,456
Executive Committee Member	325,835	-
Former Executive Committee Member	43,149	267,607
Councillors	2,418,215	1,901,924
Councillors allowances	770,950	705,870
Councillors' pension and medical aid contributions	437,164	576,777
	6,038,304	5,239,212

In-kind benefits

The Mayor, Deputy Mayor, Speaker are full-time. The Mayor is provided with an office and secretarial support at the cost of the Council.

The Mayor and the Deputy Mayor and speaker each have the use of separate Council owned vehicles for official duties.

Greater Kokstad Local Municipality

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Notes to the Annual Financial Statements

	2017 R	2016 R
27. Bulk purchases		
Electricity	80,966,910	75,885,783
28. Finance costs		
Interest on finance lease arrangements	301,012	657,266
Fair value adjustments: Notional Interest	196,692	146,670
	497,704	803,936
29. General expenses		
Administration	128,535	67,057
Advertising	838,092	426,130
Allowance for debt impairment	-	3,102,131
Assets written off	-	2,904,295
Auditors remuneration	3,918,558	3,596,773
Bank charges	504,965	432,798
Bursaries	102,383	106,876
Collection costs	1,441,559	611,197
Commission paid	-	1,044,883
Conferences and seminars	17,832	20,922
Consulting and professional fees	2,104,438	1,251,799
Contribution to doubtful debt provision	-	150,000
Contribution to doubtful fines	-	681,957
Departmental electricity consumption	1,786,877	1,416,947
Electricity network	-	6,046
Financial management grant	1,002,637	1,129,598
Fuel and oil	2,358,078	2,749,489
ICT services	594,547	808,374
Indigent subsidy	14,678,875	15,299,932
Insurance	1,252,372	689,356
Lease rentals on operating lease	2,342,172	3,027,454
Levies	6,025	14,056
Licence fees	177,342	171,730
Municipal Systems Expenditure	-	752,724
Other expenses	9,570,671	10,209,002
Postage and courier	488,855	528,656
Printing and stationery	290,786	183,777
Rental of buildings	283,642	303,468
Security (Guarding of municipal property)	3,463,376	2,712,355
Stocks and materials	1,091,895	881,110
Subscription & Publication	2,100,597	1,448,462
Telephone and fax	2,113,883	1,732,568
Training	501,322	439,686
Transport claims	243,553	78,889
Travel - local	1,597,993	1,239,130
Uniforms	1,737,828	1,265,587
Valuation roll maintenance costs	105,263	157,895
Spluma	242,800	-
	57,087,751	61,643,109

Greater Kokstad Local Municipality

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Notes to the Annual Financial Statements

	2017 R	2016 R
30. Repairs and maintenance		
Buildings	1,795,460	1,181,701
Computer equipment	28,666	37,636
Electricity network	3,547,262	1,548,458
Machinery	1,735	23,166
Office equipment	18,685	37,307
Roads and pavement	2,675,250	2,940,013
Sports field and parks	311,691	556,143
Vehicles	1,511,887	1,964,464
Maintenance of land fill site	3,514,330	-
Radio systems	501	-
	13,405,467	8,288,888
31. Cash generated from operations		
Surplus	28,238,585	34,163,066
Adjustments for:		
Depreciation and amortisation	47,113,591	40,410,959
Loss sale of assets and liabilities	4,170,389	(288,376)
Fair value adjustments	(5,063,217)	(768,157)
Impairment deficit	1,356,245	-
Debts written off	9,395,958	529,800
Movements in retirement benefit assets and liabilities	(4,890,163)	-
Movements in provisions	691,716	(1,795,411)
None cash movements	-	2,258,363
Asset written off	(259,893)	2,904,295
Changes in working capital:		
Inventories	(281,012)	(177,123)
Trade and other receivables	(6,065,687)	(8,874,991)
Other receivables from non-exchange transactions	(4,268,065)	(5,367,727)
Prepayments	(161,088)	88,840
Payables from exchange transactions	(1,012,218)	8,897,633
VAT	(1,017,484)	1,634,156
Unspent conditional grants and receipts	8,505,838	(954,393)
Consumer deposits	30,659	188,644
Deferred income	-	841,145
	76,484,154	73,690,723
32. Fruitless and wasteful expenditure		
Reconciliation of fruitless and wasteful expenditure.		
Opening balance	360,375	213,705
Current year expenditure	207,999	146,670
Fruitless and wasteful expenditure awaiting condonement	568,374	360,375

Fruitless and wasteful expenditure consists of :

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Notes to the Annual Financial Statements

	2017 R	2016 R
32. Fruitless and wasteful expenditure (continued)		
Auditor General interest	6,558	-
Department of Labour non-compliance	50,000	50,578
Eskom interest	2,545	505
MCPF penalty interest	-	265
NJMPF penalties	-	2,310
SARS penalties	106,421	76,076
Sisonke District Municipality penalties	17,756	-
Telkom interest	24,719	16,936
	207,999	146,670
33. Additional disclosure in terms of Municipal Finance Management Act		
34.1 Contributions to organised local government		
Current year subscription / fee	1,118,520	889,280
Amount paid - current year	<u>(1,118,520)</u>	<u>(889,280)</u>
	-	-
34.2 Audit fees		
Current year subscription / fee	2,183,283	2,027,874
Amount paid - current year	<u>(2,183,283)</u>	<u>(2,027,874)</u>
	-	-
34.3 PAYE, UIF & SDL		
Current year subscription / fee	12,542,319	12,463,453
Amount paid - current year	<u>(12,542,319)</u>	<u>(12,463,453)</u>
	-	-
34.4 Pension and Medical Aid Deductions		
Current year subscription / fee	22,332,353	21,714,399
Amount paid - current year	<u>(22,332,353)</u>	<u>(21,714,399)</u>
	-	-
34.5 Councillors' arrear consumer accounts		

No Councillors had arrear accounts outstanding at 30 June 2017.

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Notes to the Annual Financial Statements

	2017 R	2016 R
34. Commitments		
Already contracted for		
• Infrastructure	37,835,726	1,527,978
• Property, plant and equipment	-	1,621,879
• Community	15,303,864	6,215,030
	53,139,590	9,364,887
Total capital commitments		
Already contracted for but not provided for	53,139,590	9,364,887
Authorised operational expenditure		
Already contracted for but not provided for		
• Community	8,059,143	-
Total operational commitments		
Already contracted for but not provided for	8,059,143	-
This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, existing cash resources, funds internally generated, etc.		
Funding		
Expenditure will be financed from:		
Government grants	32,546,638	-
Own revenue	47,194,728	-
	79,741,366	-
Operating leases - as lessee (expense)		
Minimum lease payments due		
- within one year	-	118,800
Operating lease payments represent rentals payable by the municipality for certain of its office equipment. Leases are negotiated for an average term of two years, rentals are fixed for an average of two years and could be reviewed based on performance for a further period of one year. No contingent rent is payable.		
35. Related parties		
Councilors and key management remuneration	Refer to note 25 and 26	
36. Events after the reporting date		
None has been identified.		

Greater Kokstad Local Municipality

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Notes to the Annual Financial Statements

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37. Financial instruments disclosure

Categories of financial instruments

2017

Financial assets

	At fair value	At amortised cost	Total
Trade receivables	-	31,226,619	31,226,619
Other receivables from non-exchange transections	-	14,054,297	14,054,297
Cash and cash equivalents	125,283,575	-	125,283,575
	125,283,575	45,280,916	170,564,491

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	36,708,681	36,708,681
Consumer deposits	4,173,961	4,173,961
	40,882,642	40,882,642

2016

Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	34,585,431	34,585,431
Other receivables from non-exchange transactions	-	10,236,789	10,236,789
Cash and cash equivalents	88,367,345	-	88,367,345
	88,367,345	44,822,220	133,189,565

Financial liabilities

	At amortised cost	Total
Payables from exchange transaction	37,265,680	37,265,680
Consumer deposits	4,143,302	4,143,302
Finance lease	1,090,983	1,090,983
	42,499,965	42,499,965

38. Fair value adjustments

Investment property (Fair value model)	5,063,217	768,157
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Greater Kokstad Local Municipality

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39. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. The municipality uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a central treasury department (entity treasury) under policies approved by the accounting officer. Municipality treasury identifies, evaluates and hedges financial risks in close co-operation with the municipality's operating units. The accounting officer provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 30 June 2017				
Derivative financial instruments	1,090,983	-	-	-
At 30 June 2016				
Borrowings	490,607	-	-	-
Derivative financial instruments	1,913,605	1,090,983	-	-

Maximum credit risk exposure

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

40. Electricity losses

2017

The municipality has identified electricity losses in units 7 888 279.89 with an estimated value of R 7 588 525.25.

2016

The municipality has identified electricity losses in units 7 813 709.12 with an estimated value of R 7 012 803.94.

41. Irregular expenditure

Opening balance	8,036,676	2,167,062
Add: Irregular Expenditure - current year	3,677,278	5,869,614
	11,713,954	8,036,676

Greater Kokstad Local Municipality

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41. Irregular expenditure (continued)

Details of irregular expenditure – current year

Alfred Nzo Technologies-Crusher Run and Crusher dust	-	237,720
Aphola Trading	-	27,800
Auntless Trading	-	24,000
Azola Amahlubi Construction	-	178,400
BSA Consulting	-	193,889
CHM fleet services	-	526,928
Emerald Fire	-	53,560
Emerald Fire Trading	-	177,560
Gazilion Civil	-	55,000
Hambakahle Pty Ltd	-	86,728
IT Careers (Pty) Ltd	-	130,000
MIC Training	-	295,260
Musanda/ R & G Consultants	-	704,805
Oskido's Trading and Projects	-	99,000
Pesheya Komlanjana	15,000	-
Protea Consulting	2,005,501	2,488,075
SMG Development (Pty) Ltd- Bulk Bitumen	547,214	187,000
Shaazi signs (Pty) Ltd	-	44,130
Ultimate Recruitment Solutions	-	306,851
Work Dynamics	-	31,208
Zethembe Maintenance	1,109,563	-
Zuko Trading	-	21,700
	3,677,278	5,869,614

42. SCM DEVIATIONS

Emergencies	181,944	142,134
Original dealers	796,361	401,445
Other deviations	709,343	-
	1,687,648	543,579

The above occurred due to non adherence of SCM regulation.

43. In-kind donations and assistance

Provincial Treasury provided assistance in:

- Contract management
- SCM compliance assessment
- SCM bid committee training

44. Debt impairment

Debt written off	9,395,958	529,800
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45. CONTINGENT LIABILITIES

Bawinile Veronica Bambelo, Themba Bambelo, Simphiwe Bambelo vs National Minister of Transport, MEC Transport KZN, The Department of Transport Greater Kokstad Local Municipality.

A claim in respect of loss of support, funeral expenses and damages for loss as result of accident that happened on 12 July 2013 when Muso Samson Bambelo's car hit the unguided pothole and collided with another car and as a result he died. Amount claimed amounts to R669 022.00 plus cost.

Sinkshow Construction vs Greater Kokstad Municipality

Demand for the return of construction material and currently there is a rescission of Default Judgment granted and the amount claimed is R 150 000.

Mathokoza Maile & Another vs Greater Kokstad Municipality and SPCA

Unlawful impounding of animals.

Greater Kokstad Municipality vs Mbulelo Sibya

Motor vehicle accident concerning a claim of an amount of R 150 000.

Greater Kokstad Municipality vs Hoosen Kharvia

Motor vehicle accident with a claim amount of R 60 000.

Erf 60 Cebo Matshayana vs Greater Kokstad Municipality

A claim to remove a part of municipal building on his portion of land for an unknown amount.

Dolly Portia Bihl vs Greater Kokstad Municipality.

The Applicant is suing the Respondent for unfair Labour Practices, a claim that amounts to R743 144.40.

Business Community vs Greater Kokstad Municipality.

Unprotected march/gathering that occurred on the 16th of May which was a strike granted by the Municipality resulted in a damage of properties and local business community has laid claims amounting to R300 00 for damages to the properties against the municipality.

Greater Kokstad Municipality vs Nathoo Mbunyane Engineers, Turf Incorporated and Dura Putt Indoor & Outdoor Turf.

The Municipality is claiming an amount of R1 748 640 for the upgrading of the Bhongweni Stadium from these stake holders. Turf failed to deliver as a result their contractor was cancelled after being placed in MORA by Nathoo Mbunyane Engineering.

Greater Kokstad Municipality vs Torgos.

The attorneys have been given a status report on the developments in this case and they have briefed Advocate Gani. The prospects of success in this matter were discussed and it was decided that the Municipality will enter into settlement negotiations with the other side to ensure that the Municipality obtains some value. The estimated envisaged cost is R100 000.

Greater Kokstad Municipality vs FEZ Building Construction

The implementing agent has indicated that they are still awaiting completion of the final account and once same is received the attorneys will be in a position to consult on this matter. The action was instituted to avoid the time clause bar contained in the contract and to protect client's interest. We are awaiting receipt of final account from the principle agent. The envisaged approximate cost is R100 000.

Greater Kokstad Municipality vs Forensic Investigation (Gqola and Nxumalo

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45. CONTINGENT LIABILITIES (continued)

Summons have been issued against former Municipal Manager and former Chief Financial Officer to recover loss of R219 777.49 incurred through them failing to carry discharge their fiduciary duties. Due to the time delay, we may also face issues of lack of evidence by the time this matter reaches the trial stage.

Greater Kokstad Municipality vs Ndevu

Summons issued against Ms Ndevu to recover funds in the amount of R128 222 allegedly misappropriated by her during her employment with the Municipality. The Municipality as a result has decided with the Pension Fund Adjudicator to withhold Ms Ndevu's pension benefit amounting to R74 145.24 to ensure that atleast a portion of the Municipality's claim will be satisfied.

46. Prior period errors

Investment Property that does not belong to the municipality was capitalised in the prior years.

Expenses were erroneously capitalised in the prior year.

Infrastructure useful life incorrectly assessed in prior year.

Depreciation on assets that was overly charged.

The correction of the error(s) results in adjustments as follows:

Statement of financial position

Increase in Property, plant and equipment	-	10,409,434
Decrease in Investment Property	-	(26,884,800)
Decrease in Opening Accumulated Surplus	-	3,743,591
	-	(12,731,775)

Statement of Financial Performance

Increase in General expenses	-	12,800,709
Decrease in Depreciation and Amortisation	-	(68,934)
	-	12,731,775

47. Budget Variance Explanation

- A Sharp Increase electricity tariffs have led to decrease consumption. The block tariffs motivate reduction in consumption
- Donations received for sports day not budgeted for
- Property rates reduction due to council write off indigent customers
- Interest on Investments Increases due council increase in investments
- Provision recoveries where a result of recoveries in : Performance bonus , debt provision .
- Actual expenditure for employee costs due to only critical posts being filled.
- Contracted services expenditure decreased due stringent fiscal measures implemented by council.

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GREATER KOKSTAD MUNICIPALITY
APPENDIX A (NON-AUDITABLE)
SCHEDULE OF EXTERNAL LOANS FOR THE ENDED 30 JUNE 2017

EXTERNAL LOANS	Loan number	Redeemable Date	Balance at 30	Received during the period	Redeemed / written off during the period	Balance at 30	Carrying Value of Property, Plant & Equipment	Other Costs in accordance with MFMA
			June 2016			June 2017		
LONG-TERM LOANS								
INCA - R 5,800,000.00	12.26%	934-528050	30/06/2016	490,606	-	(490,606)	-	-
Total long-term loans				490,606	-	(490,606)	-	-
TOTAL EXTERNAL LOANS								
Short term portion of Long term Loans								
Dec 16				490,606.00		490,606.00		
				490,606.00		490,606.00		

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Supplementary Information

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